



*Colorado Legislative Council Staff Fiscal Note*  
**LOCAL  
 FISCAL IMPACT**

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**Drafting Number:** LLS 11-0697 **Date:** March 28, 2011  
**Prime Sponsor(s):** Sen. Cadman **Bill Status:** Senate Local Government  
 Rep. Gardner B. **Fiscal Analyst:** Kirk Mlinek (303-866-4782)

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**TITLE:** CONCERNING THE AUTHORITY FOR THE PROCEEDS OF THE TRANSFER OF A HOSPITAL OWNED BY CERTAIN TYPES OF LOCAL GOVERNMENTS TO BE USED FOR A PUBLIC PURPOSE IF THE PUBLIC PURPOSE IS APPROVED BY THE VOTERS OF THE LOCAL GOVERNMENT.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2011-2012:</b> none required.		
<b>Local Government Impact:</b> see Local Government section.		

**Summary of Legislation**

The bill allows the proceeds of the transfer of a hospital owned by a municipality or county to be used for any public purpose upon approval of a majority of the voters in the municipality or county. When a nonprofit hospital is transferred to a for-profit entity, the city or county making the transfer is exempt from the following subsections of section 6-19-403 (1), C.R.S., requiring certification that:

- (a) the transaction is in the public interest;
- (b) the transaction will result in continuing access to health care services for the affected community;
- (f) distributions of the sale shall be made to one or more charitable organizations; and
- (i) the charitable organization receiving the proceeds shall reflect the historical charitable purposes of the nonprofit.

**Background**

In 1998, the Colorado General Assembly enacted a statutory framework for the Colorado Attorney General to review transactions involving nonprofit and for-profit licensed hospitals. The review of these transactions is intended to protect the public interest, and assure that the nonprofit

assets of hospitals are preserved to serve the charitable purposes to which they were dedicated, and to provide the public notice of all transfers of hospital assets. "Covered transaction" is defined as any transaction that would result in the sale, transfer, lease, exchange, or other disposition of 50 percent or more of the assets of a hospital, including transactions taking place in any five-year period that result in an aggregate transfer of 50 percent or more of a hospital's assets.

Current law provides oversight of 1) nonprofit to nonprofit transactions; 2) for-profit to for-profit transactions; and 3) nonprofit to for-profit transactions. Once reached or exceeded, the 50 percent threshold triggers a review by the Attorney General unless the covered transaction will not result in a material change in the hospital's charitable purposes and will not result in a termination of the Attorney General's jurisdiction over the assets caused by a transfer of a material amount of those assets outside of Colorado.

### **State Expenditures**

The Attorney General's oversight of covered nonprofit to for-profit transactions continues under the bill. The bill will not affect the Department of Law's workload and, as a result, has no fiscal impact on the department.

### **Local Government Impact**

Upon approval of the voters, the sale of a municipal- or county-owned hospital will increase revenue for the local government. The ballot question must state the public purpose for which the proceeds will be used and proceeds may be used as approved by the voters.

Election costs for municipalities and counties may increase to the extent that additional ballot measures make ballots longer, resulting in higher printing and postage costs. Elections held at times other than regularly scheduled elections are more costly to administer. Exact costs to counties and municipalities are not estimated, as it is unknown how many items will be on the ballot in any given election.

### **Departments Contacted**

Municipal League  
Special Districts

Colorado Counties  
County Clerks

State  
Law